

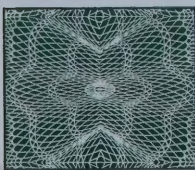
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# BRITISH AMERICAN BANK NOTE COMPANY LIMITED

## ANNUAL REPORT 1971







# BRITISH AMERICAN BANK NOTE COMPANY LIMITED

HEAD OFFICE - OTTAWA

## DIRECTORS

\*Y. BOULANGER  
Montreal

H. M. BOYCE  
Vancouver

G. HAROLD BURLAND, M.C., C.D.  
Ottawa

IAN DOUGLAS, C.D., Q.C.  
Toronto

Hon. GEORGE B. FOSTER, D.F.C., M.B.E., Q.C.  
Montreal

J.-CLAUDE HEBERT, D.F.C.  
Montreal

\*KENNETH S. SARGENT  
Ottawa

JAMES M. TORY, Q.C.  
Toronto

\*A. MURRAY VAUGHAN, C.C.  
Montreal

MRS. L. M. VAUGHAN  
Montreal

\*R. P. WHITE, O.B.E., V.R.D.  
Ottawa

\*EXECUTIVE COMMITTEE

## OFFICERS

A. MURRAY VAUGHAN,

R. P. WHITE,

KENNETH S. SARGENT,

R. BROCK YOUNG,

GORDON C. LESLIE,

CLARE V. VAUGHAN,

JOHN M. BRADY,

REGINALD F. BLANDFORD,

Chairman and Chief Executive Officer  
President

Executive Vice President

Vice President Marketing

Vice President Manufacturing

Controller and Chief Financial Officer

Treasurer

Secretary

### TRANSFER AGENT

The Royal Trust Company

Montreal, Toronto and Vancouver

### REGISTRAR

Montreal Trust Company

Montreal, Toronto and Vancouver

### AUDITORS

Touche Ross & Co.







# BRITISH AMERICAN BANK NOTE COMPANY LIMITED

## CHAIRMAN'S REPORT

Your Directors submit herewith the consolidated financial statements for the Company's 105th year ended December 31, 1971 as reported on by the Company's auditors, Touche Ross & Co.

Sales in 1971 reached \$7,539,282 compared to \$7,080,836 the previous year, an increase of \$458,446. Consolidated earnings for the year were \$566,905 or \$1.26 per share compared to \$555,096 or \$1.23 per share for 1970. The 1971 figures include the adjustment of depreciation referred to in Note 4 to the Financial Statements. During the year quarterly dividends of 20c. per share were paid in March, June, September and December. Total dividends were 80c. per share.

The year ended with current assets of \$2,388,666 and current liabilities of \$935,961. Working capital was \$1,452,705, an increase over last year of \$100,102.

Mr. G. Harold Burland retired from the Board of Directors on June 29, 1971. Mr. Burland has contributed to the growth and progress of the Company for a period of 52 years as an employee, officer, director and member of the Executive Committee. His wise counsel will be greatly missed. In July 1971 the Board accepted with regret the resignation of Mr. J.-Claude Hébert.

On behalf of the Directors it is a pleasure to pay tribute to the loyal and efficient service of the Company's officers and employees.

Chairman and Chief Executive Officer.



# BRITISH AMERICAN BANK NOTE COMPANY LIMITED

## PRESIDENT'S REPORT TO THE SHAREHOLDERS

Your Company's facilities and services have been expanded and improved in 1971 to meet our customers' needs. The volume of orders received and filled continues to increase.

### SECURITY

Security is an unending task of everyone connected with the British American Bank Note organization. The prime objective in the program is to protect the interests of our customers. Protective measures are included in all aspects of the Company's operations starting with the basic elements of the products - design, engraving, paper and ink. Modern detection devices in all premises, inventory control and internal audit procedures help provide the necessary protection. A further and important element of our security system is the integrity of our employees who must be constantly mindful of the special nature of the work they perform.

### PRODUCTS

**Bank Notes** - Bank notes continue to be our single most important product and constitute a substantial portion of our sales.

**Lottery Tickets** - Lottery and sweepstake tickets are now being produced for various organizations across Canada. This is a new product line for our Company.

**Cheques** - A new web offset press has been installed in the Ottawa plant for printing complex bank encoded security documents. This press is also producing basic cheques for overprinting and domiciling in regional plants as well as many continuous form bank documents for computer processing.

We are now equipped to provide cheques in single, continuous form or in snap-out sets. Industry and Governments are demanding security in their cheque forms with quantity control and quality control throughout production and distribution. We offer this service using the most complete, modern equipment available.

**Share Certificates** - An engraved share certificate serves as a permanent authentic record of ownership and has the basic elements to prevent successful counterfeiting. While there have been suggestions share certificates can be replaced by a centralized computer record we believe the majority of the investing public and banking institutions want



# BRITISH AMERICAN BANK NOTE COMPANY LIMITED

AND SUBSIDIARIES

certificates as physical evidence of ownership. We think the share certificate will be with us for many years but with some modifications to provide automatic processing by optical scanning.

Our Company maintains a close liaison with the various stock exchanges to make recommendations and offer technical assistance on document security and automation.

## REGIONAL OPERATIONS

Facilities in Montreal, Ottawa, Toronto, Winnipeg, Calgary and Vancouver provide the security and financial documents required by our customers. This regional concept is meeting the needs of the regional organization of the Banks and Trust Companies in Canada. Rapid communication between our divisions enables us to meet urgent delivery requirements in all major centres.

## PERSONNEL

The security printing industry is labour intensive requiring the participation of many crafts and involving a complex variety of unions. Because of this we are involved in almost continuous negotiation of wage contracts with these various groups. The impact of contract settlements continues to be substantial and represents a steady challenge to management to increase our markets and to introduce production improvements.

Greater productivity is essential to offset wage increases and maintain the competitive position of our Company. Every effort is being made to improve production efficiency.

## DEVELOPMENTS

A reorganization took place in the marketing division of the Company in 1971. The marketing headquarters of the Company is now in Toronto under the direction of Mr. R. Brock Young, Vice President - Marketing.

Early in 1971 Saults & Pollard, our agents in Manitoba, built an addition to their new printing plant in Winnipeg to house Winnipeg Banknote Company. The addition has the necessary security features to protect the product and the premises.

February 10, 1972

President.





# BRITISH AMERICAN BANK NOTE COMPANY LIMITED

AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1971

### ASSETS

	1971	1970
<b>CURRENT</b>		
Cash	\$ 184,912	\$ 100,171
Accounts receivable	887,861	1,181,109
Income taxes recoverable (Note 3)	141,067	-
Inventories of raw materials, work in process and finished stock, valued at the lower of cost or net realizable value	1,107,172	1,148,930
Prepaid charges	67,654	114,657
	<u>2,388,666</u>	<u>2,544,867</u>
<b>OTHER</b>		
Investments - at cost (approximate market value - 1971 \$550,000; 1970 - \$529,000)	628,551	628,210
Deferred past service pension costs (Note 2)	140,182	204,682
	<u>768,733</u>	<u>832,892</u>
<b>FIXED - AT COST</b>		
Building, land, furniture, equipment and engraved stock	6,527,677	6,226,802
Less accumulated depreciation	<u>4,708,321</u>	<u>4,586,145</u>
	1,819,356	1,640,657
Excess of cost of shares of subsidiary companies over the book amount of their net assets at the dates of acquisition	204,427	204,427
	<u>\$5,181,182</u>	<u>\$5,222,843</u>

On behalf of the Board:

A. MURRAY VAUGHAN, Director

R. P. WHITE, Director



## LIABILITIES

### CURRENT

	1971	1970
Bank loan	\$ 160,000	\$ 500,000
Accounts payable and accrued liabilities	644,307	580,761
Income taxes payable	-	41,988
Sales taxes payable	131,654	69,515
	<u>935,961</u>	<u>1,192,264</u>
Deferred income taxes (Note 3)	259,000	251,000
Minority interest	13,758	14,021

## SHAREHOLDERS' EQUITY

### Capital Stock

Authorized - 600,000 shares of no par value

Issued and fully paid - 450,000 shares of  
no par value

	300,000	300,000
Retained earnings	<u>3,672,463</u>	<u>3,465,558</u>
	<u>3,972,463</u>	<u>3,765,558</u>
	<u>\$5,181,182</u>	<u>\$5,222,843</u>

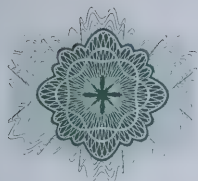


# BRITISH AMERICAN BANK NOTE COMPANY LIMITED

AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1971

	1971	1970
Sales	<u>\$7,539,282</u>	<u>\$7,080,836</u>
Net earnings from operations	\$1,018,951	\$1,096,311
Investment Income	49,070	45,065
Other Income	<u>23,371</u>	<u>15,753</u>
	<u>1,091,392</u>	<u>1,157,129</u>
Provision for income taxes (Note 3)	522,000	597,588
Minority Interest	<u>2,487</u>	<u>4,445</u>
	<u>524,487</u>	<u>602,033</u>
Earnings for the year (per share 1971 - \$1.26; 1970 - \$1.23)	566,905	555,096
Retained earnings, beginning of year	<u>3,465,558</u>	<u>3,306,462</u>
	<u>4,032,463</u>	<u>3,861,558</u>
Less dividends paid	<u>360,000</u>	<u>396,000</u>
Retained earnings, end of year	<u><u>\$3,672,463</u></u>	<u><u>\$3,465,558</u></u>

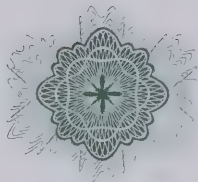


# BRITISH AMERICAN BANK NOTE COMPANY LIMITED

AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED DECEMBER 31, 1971

	1971	1970
<b>SOURCE</b>		
From operations		
Earnings for the year	\$ 566,905	\$ 555,096
Amounts charged against earnings not requiring an outlay of funds		
Depreciation (Note 4)	150,397	277,985
Amortization of deferred past service pension costs (Note 2)	64,500	64,500
	<u>781,802</u>	<u>897,581</u>
 Increase in deferred income taxes (Note 3)	8,000	-
Sale of investments	-	55,234
Increase in minority interest	-	2,695
	<u>789,802</u>	<u>955,510</u>
 <b>APPLICATION</b>		
Dividends	360,000	396,000
Purchases of fixed assets - net	329,096	178,470
Excess of cost of shares of subsidiary company over the book amount of its net assets at the date of acquisition	-	2,500
Decrease in deferred income taxes	-	69,000
Decrease in minority interest	263	-
Purchase of investment	341	-
	<u>689,700</u>	<u>645,970</u>
 Increase in working capital	100,102	309,540
Working capital at beginning of year	1,352,603	1,043,063
Working capital at end of year	<u>\$1,452,705</u>	<u>\$1,352,603</u>



# BRITISH AMERICAN BANK NOTE COMPANY LIMITED

AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1971

### 1. Subsidiary Companies

The consolidated financial statements which have been circulated to shareholders include the accounts of British American Bank Note Company Limited (incorporated under the Canada Corporations Act) and its subsidiaries whose financial statements are not published.

#### Wholly Owned

- The Franklin Press Limited (incorporated under the Laws of Ontario)
- Compagnie de Billets de Banque Québec Ltée - Quebec Bank Note Company Ltd. (incorporated under the Quebec Companies Act)
- Alberta Banknote Co. Ltd. (incorporated under the Companies Act of the Province of Alberta)

#### Partly Owned

- Security Printing Corporation Ltd. (incorporated under the British Columbia Companies Act)
- Winnipeg Banknote Company Ltd. (incorporated under the Manitoba Companies Act)

### 2. Deferred Past Service Pension Costs

In 1966 the Company made a lump sum payment to the pension plan in respect of past service benefits. The annual amortization of \$64,500 was charged against income during the year leaving a balance in this account of \$140,182.

### 3. Income Taxes

The provision for income taxes exceeds the income taxes currently payable by \$8,000 and deferred income taxes on the balance sheet has been increased by this amount. This arises from the following:

Excess of the maximum capital cost allowances allowable for income tax purposes over depreciation	\$40,000
Reflection in the accounts of a portion of pension costs, referred to in Note 2, which were claimed for income tax purposes when paid	<u>32,000</u>
	<u>\$ 8,000</u>

### 4. Depreciation

Effective January 1, 1971 accounting practices were altered to record depreciation on a straight line basis over the estimated realistic useful life of the assets as opposed to a diminishing balance basis. This adjustment reduced depreciation charged in the year by \$140,000 and increased net income after taxes by \$70,000 or 16c. per share. Depreciation charged in 1971 on the new basis was \$150,397.

### 5. Capital Commitments

As at December 31, 1971 there were commitments for capital expenditures amounting to approximately \$100,000.

### 6. Lease Commitments

The Company is committed under the terms of lease contracts with various expiration dates for the rental of premises and equipment. Currently the annual lease payments amount to approximately \$106,000.

### 7. Remuneration of directors and officers

The parent Company had eleven directors whose aggregate remuneration as directors in 1971 was \$30,250. The parent Company had eight officers whose aggregate remuneration as officers was \$198,900. Three of these officers were also directors.





# BRITISH AMERICAN BANK NOTE COMPANY LIMITED

## AUDITORS' REPORT

The Shareholders

British American Bank Note Company Limited

We have examined the consolidated balance sheet of British American Bank Note Company Limited and its subsidiaries as at December 31, 1971 and the consolidated statements of earnings and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the Company and its subsidiaries as at December 31, 1971 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied, except as outlined in Note 4 to the financial statements, on a basis consistent with that of the preceding year.

TOUCHE ROSS & CO.  
Chartered Accountants

Ottawa, Ontario, February 1, 1972



# BRITISH AMERICAN BANK NOTE COMPANY LIMITED

AND SUBSIDIARIES

## SALES AND MANUFACTURING DIVISIONS

### OTTAWA - HEAD OFFICE AND PLANT

975 Gladstone Ave.

### TORONTO - *THE FRANKLIN PRESS LIMITED*

193 King St. E.

### WINNIPEG - *WINNIPEG BANKNOTE COMPANY LTD.*

1499 Buffalo Place

L. O. POLLARD - Vice-President

### CALGARY - *ALBERTA SECURITY PRINTING*

2005 10th Ave. S.W.

D. B. MacRAE - Manager

### VANCOUVER - *SECURITY PRINTING CORPORATION LTD.*

822 Homer St.

P. LINDSELL - President

## SALES OFFICES

### MONTREAL

2135 Drummond St.

W. M. PRICE - Manager

### TORONTO

193 King St. E.

R. D. JOHNSON - Manager

## PRODUCTS

bank notes

postage stamps

revenue stamps

share certificates

warrants

bonds and debentures

lottery tickets

*and many other financial documents*

travellers' cheques

money orders

dividend cheques

cash bonus coupons

promissory notes

annual reports

interim reports

prospectuses

trust deeds

personalized cheques

order forms

statements of fact

proxies



